Stark State College of Technology

Single Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, INC.
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Mary Taylor, CPA
Auditor of State

Board of Trustees
Stark State College of Technology
6200 Frank Avenue NW
Canton, Ohio 44720-7299

We have reviewed the *Independent Auditor's Report* of the Stark State College of Technology, Stark County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stark State College of Technology is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 15, 2008

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Stark State College of Technology
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Member American Institute of Certified Public Accountants   Ohio Society of Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Stark State College of Technology
Stark County
6200 Frank Ave. NW
Canton, OH 44720-7299

We have audited the accompanying financial statements of the business-type activities of Stark State College of Technology (the College), as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the College, as of June 30, 2007, and the respective changes in financial position and cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2007, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
December 14, 2007

Stark State College of Technology
Management's Discussion and Analysis (MD&A)
For the Fiscal Year ended June 30, 2007

The discussion and analysis of the financial statements of Stark State College of Technology (the "College") provides an overview of financial activities for the years ended June 30, 2007 and 2006. Management has prepared the financial statements and the related note disclosures along with this discussion and analysis. The responsibility for the completeness and fairness of this information rests with the preparers.

Using this Annual Report

The College is reporting its financial position in accordance with the Governmental Accounting Standards Board (GASB) Statement 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement 35 – *for Public Colleges and Universities,* as amended by GASB Statements 37 and 38. Comparative condensed financial information has been presented for the current year and the prior year.

This report consists of three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements provide information on the College as a whole, and present a snapshot of the College's finances. The following functions are included in the College's basic financial statements:

- Instruction
- Public Service
- Academic Support
- Student Services
- Institutional Support
- Plant Operations
- Student Aid
- Bookstore Operations

These statements can help the reader understand what the financial health of the College is at the end of the fiscal year, as well as indicate the changes in financial position since the end of the prior year. Over time, increases in net assets, which are the result of the College keeping expenses lower than revenues, indicate a strengthening of the College's financial health.

The Statement of Net Assets acts much like a consolidated balance sheet does for a business. It shows the book value of all asset categories, and compares them to the amount of liabilities, with the residual difference, called net assets, being detailed by the type of commitment which gave rise to the underlying assets.

Condensed Statement of Net Assets
(in thousands)

Assets	**2007**	**2006**
Current Assets		
Cash & cash equivalents	$ 8,190	$ 8,742
Student accounts receivable, net	2,036	1,704
Intergovernmental receivables	2,804	2,309
Other current assets	1,302	1,207
Total current assets	14,332	13,962
Noncurrent Assets		
Capital assets, net	43,815	40,595
Other noncurrent assets	982	848
Total noncurrent assets	44,797	41,443
Total assets	59,129	55,405
Liabilities & Net Assets		
Current Liabilities		
Accounts payable & accrued liabilities	1,557	1,677
Deferred income	1,090	1,046
Other current liabilities	1,892	1,729
Total current liabilities	4,539	4,452
Long-term liabilities	948	788
Total liabilities	5,487	5,240
Net Assets		
Invested in capital assets, net of related debt	43,815	40,589
Restricted	937	1,148
Unrestricted	8,890	8,428
Total net assets	$ 53,642	$ 50,165

The Statement of Revenues, Expenses and Changes in Net Assets acts as a statement of the College's operations. Revenues and expenses on the accrual basis of accounting are detailed by operating type, and the reconciliation between the beginning and ending net assets is presented.

Condensed Statement of Revenues, Expenses and Changes in Net Assets
(in thousands)

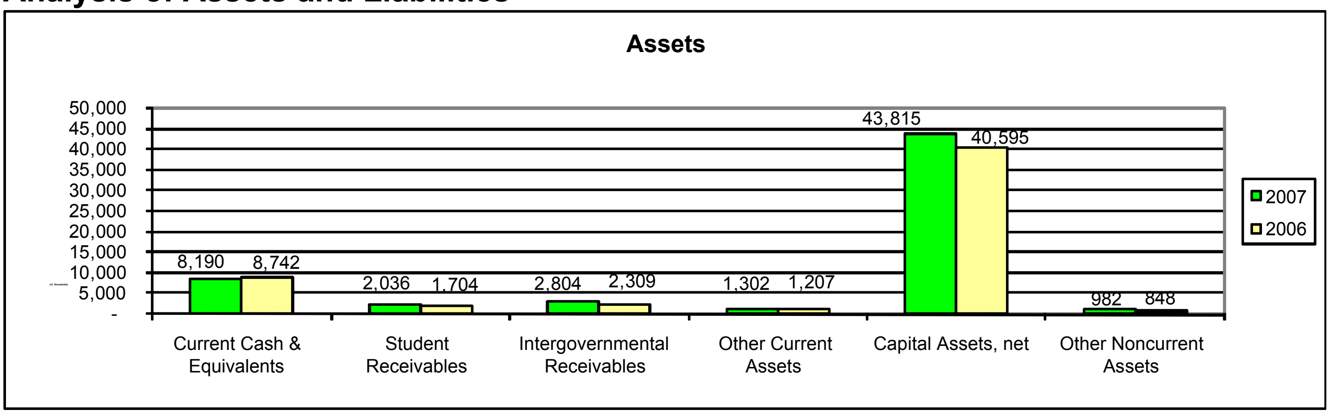
			Increase (Decrease)	
Revenues	2007	2006	$	%
Operating revenues				
Tuition and fees, net	$ 17,387	$ 15,310	$ 2,077	13.6%
Federal grants and contracts	9,243	8,240	1,003	12.2%
Auxiliary enterprises: bookstore	3,665	3,339	326	9.8%
Other operating revenues	2,497	1,539	958	62.2%
Total operating revenues	32,792	28,428	4,364	15.4%
Expenses				
Operating expenses				
Educational and general	45,941	39,534	6,407	16.2%
Auxiliary enterprises: bookstore	2,996	2,801	195	7.0%
Total operating expenses	48,937	42,335	6,602	15.6%
Operating income (loss)	(16,145)	(13,907)	(2,238)	-16.1%
Nonoperating Revenues (Expenses)				
State appropriations	17,061	15,155	1,906	12.6%
Other nonoperating income	623	408	215	52.7%
Other nonoperating expenses	(295)	(655)	360	-55.0%
Net nonoperating revenues (expenses)	17,389	14,908	2,481	16.6%
Income (loss) before other revenues, expenses, gains or losses	1,244	1,001	243	24.3%
Capital appropriations, gifts & grants	2,233	4,450	(2,217)	-49.8%
Increase in net assets	3,477	5,451	(1,974)	-36.2%
Net assets, beginning of year	50,165	44,714	5,451	12.2%
Net assets, end of year	$ 53,642	$ 50,165	$ 3,477	6.9%

The Statement of Cash Flows presents the sources and uses of all cash transactions conducted by the College, broken down by type of functional activity. This statement assists the reader in determining the College's ability to generate future cash flows, meet its obligations as they become due and assess the need for additional funding or financing.

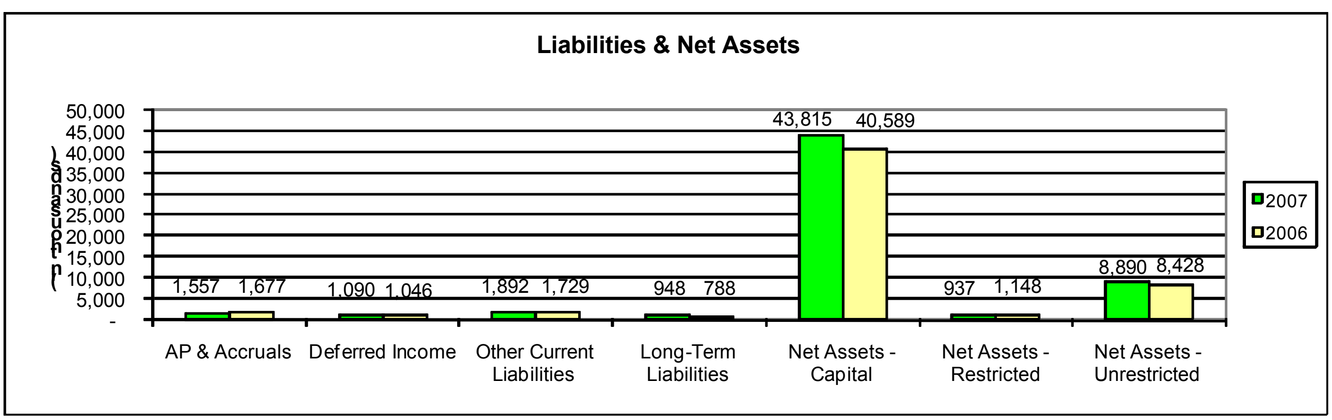
Condensed Statement of Cash Flows
(in thousands)

	2007	2006	$	%
Net cash provided (used) by Operating Activities	$ (15,217)	$ (12,375)	$ (2,842)	23.0%
Net cash provided (used) by Noncapital Financing Activities	16,839	14,481	2,358	16.3%
Net cash provided (used) by Capital Financing Activities	(2,685)	(2,151)	(534)	24.8%
Net cash provided (used) by Investing Activities	521	405	116	28.6%
Net increase in cash	(542)	360	(902)	-250.6%
Cash - beginning of year	8,929	8,569	360	
Cash - end of year	$ 8,387	$ 8,929	$ (542)	-6.1%

Analysis of Assets and Liabilities



Total assets increased by $3,724,000 during the year to a year-end amount of $59,129,000. Of this amount, $3,220,000 was related to net capital asset increases. Total cash and cash equivalents, including restricted cash classified as other noncurrent assets, decreased by $542,000. Student and Intergovernmental Receivables increased by $827,000. Changes to all other asset categories amounted to a net increase of $136,000.

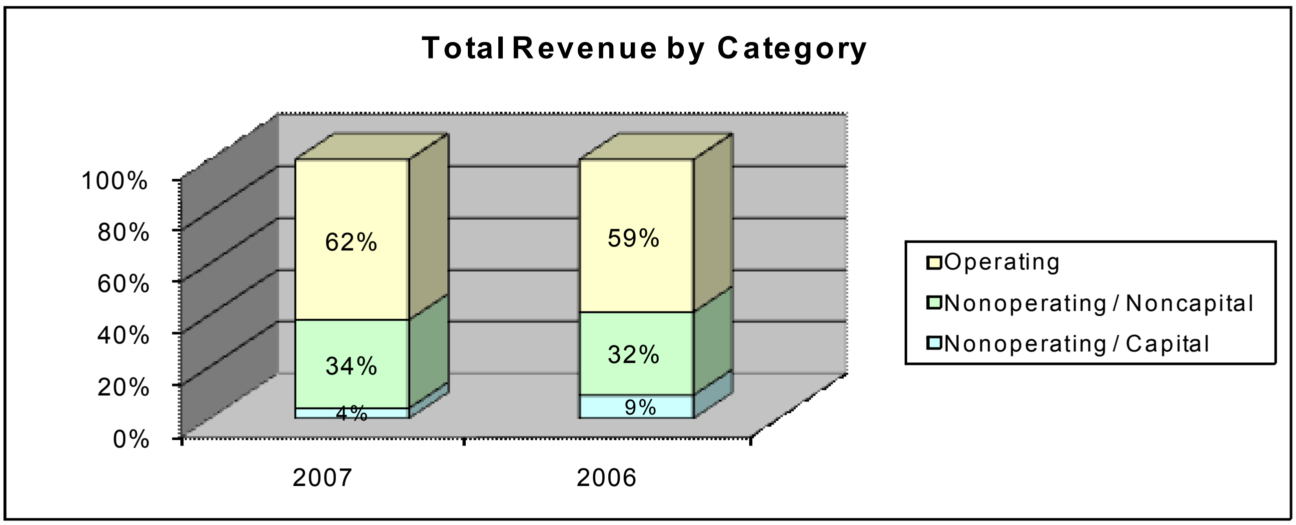


Total liabilities increased since the beginning of the year by $247,000 to a year-end amount of $5,487,000. The noncurrent long-term liabilities increased $160,000 to $948,000. Current liabilities increased by $87,000 to $4,539,000.

Total net assets increased $3,477,000, of which $3,226,000 was related to net capital assets. Unrestricted net assets increased by $462,000, and net restricted assets decreased by $211,000. The positive change in unrestricted net assets was the result of favorable operating results combined with large outlays of cash for capital projects, which are presented in the analysis of the Statement of Revenues, Expenses and Changes in Net Assets. The negative change in restricted net assets was the result of spending down restricted grants secured in prior years in excess of current year receipts for restricted projects.

Analysis of Revenues

The following chart provides categorical ratios of the College's revenue as a whole for the years ended June 30, 2007 and 2006:



The State Share of Instruction and Access Challenge funding is the statutory burden of the State of Ohio for operating the College. These are classified as nonoperating revenue under generally accepted accounting principles, and they account for 32% and 31% of total revenue in 2007 and 2006. Other revenue includes capital appropriations, and is a subset of nonoperating revenue.

A traditional comparison of the College's revenue focuses on noncapital revenue. These are the funds which are spent for ongoing operations. The total of these revenues increased $6.5 million this year (14.7%). This analysis will focus on the traditional revenues used for ongoing operations which are comparable to the prior year financial statements.

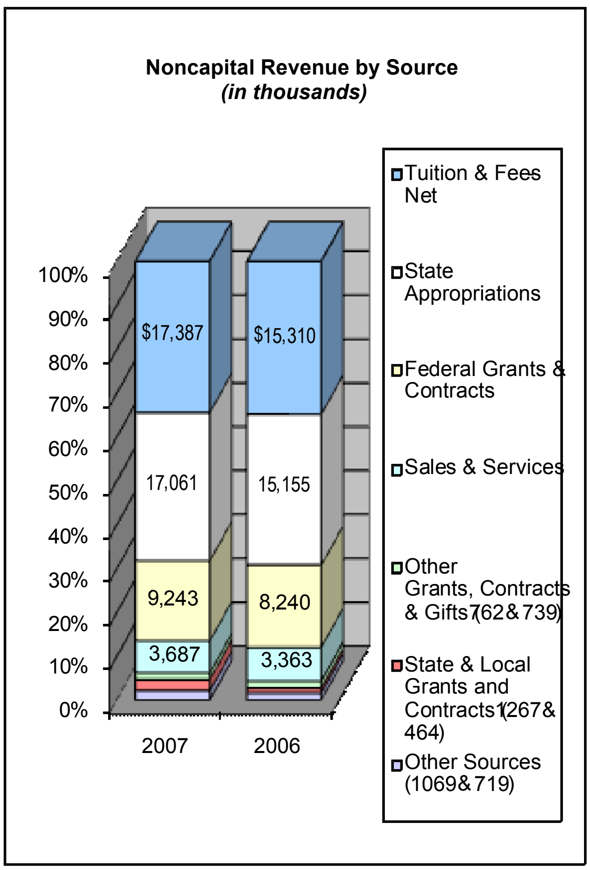
The Board of Trustees raised tuition starting in the Summer 2006 semester from $120 to $127 per credit hour. This tuition increase generated approximately $893,000 in additional fees. Enrollment increases resulted in additional fees of approximately $1,184,000 over the previous year.

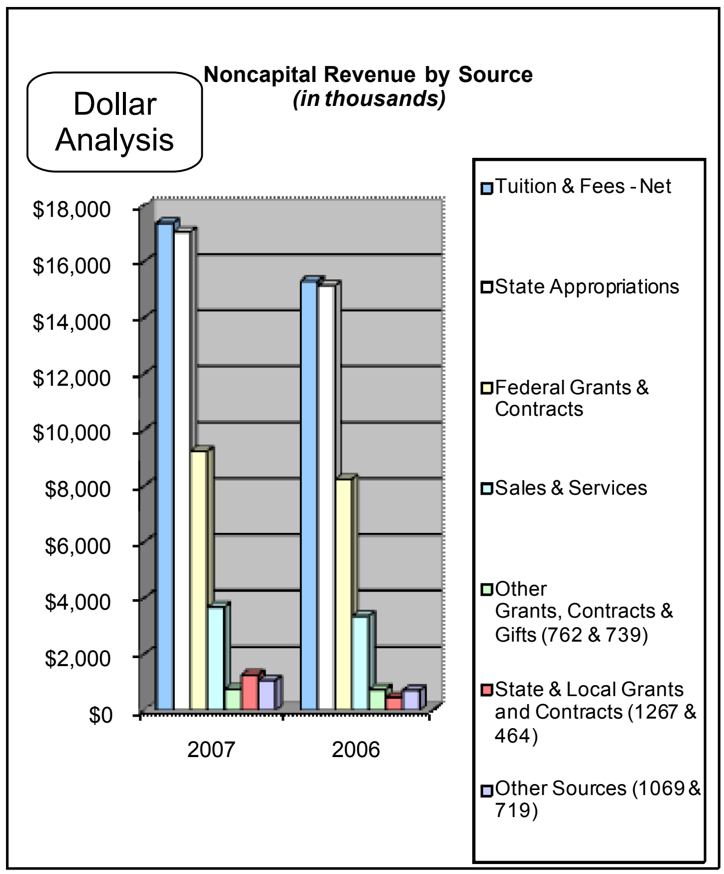
The State Share of Instruction and the Access Challenge state appropriation, two sources of State funding dedicated to support the operations of the College, increased from prior year levels by $1,906,000 (12.6%). Additional Job Training appropriations declined from the prior year.

Sales & Services, which include Auxiliary enterprise revenue from the College bookstore, increased this year by $326,000 (9.8%) due to increased enrollment, which was partially offset by continuing declines in sales of non-textbook items and changes to the sales mix of new vs. used textbooks.

Increases in federal and state grants totaling $1,806,000 were due mainly to a large increase of financial aid grants to students and new grants from the National Science Foundation, as well as federal and state agencies, for the purchase of fuel cell R&D equipment and curriculum development.

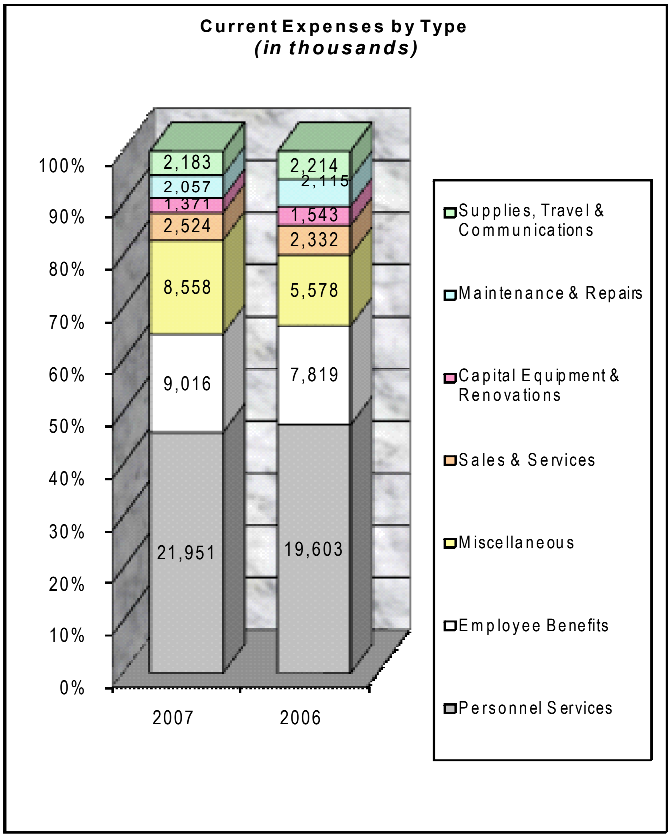
Other noncapital revenue increased $373,000 over the prior year, primarily due to increased interest earnings.

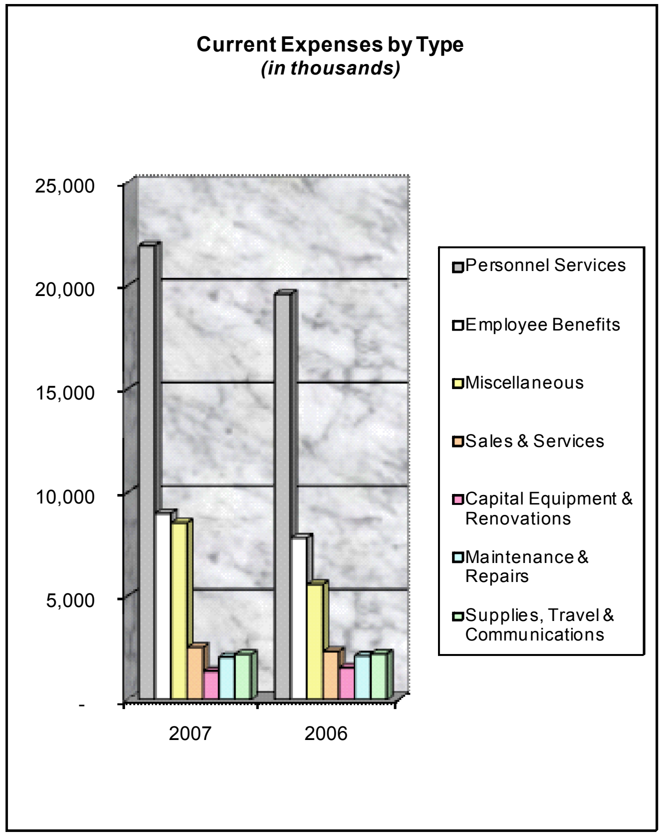




Analysis of Expenses

This analysis focuses on the College's operating budget categories; known as current expenses.





These expenses approximate the College's expenses reported in the Statement of Revenues, Expenses and Changes in Net Assets adjusted for depreciation and reduced by the capital equipment & renovations category, which were plant activities. While total enrollment only increased 10.2%, total operating expenses increased 15.6%

Total salary and wages increased 12.0%. The average general wage increased 4.5% for full time employees, and the College increased the usage of part-time instructors. Several full-time positions were created and filled over the staffing levels of the prior year. Additional adjunct faculty costs were incurred when larger than expected enrollment caused additional sections to be offered.

Employee benefits experienced a net increase of 15.3% over the prior year. The major factors affecting benefits included a 10% increase in health care premiums, and general cost increases due to higher staffing levels, netted against savings from an increased use of adjunct faculty, who do not receive health care benefits, thereby decreasing the average net benefit cost per labor unit.

Miscellaneous expenses increased 53.4% over the prior year. The College purchased a new enterprise resource plan system from Sungard Higher Education, which added $1.4 million in expenses this year. Student Aid increased $1.7 million. These two items accounted for more than the total increase in this category. Library Services are provided by Kent State University's Stark Campus, for which the College pays based on enrollment.

Library costs increased due to increased enrollment. Other costs were reduced, which included insurance, legal fees and other contracted services.

Sales and Services expenses increased by 8.2%. This was a result of increases in labor costs, wholesale book prices, and sales volume increases due to higher enrollment.

Equipment purchases from the operating budget declined 11.1% from the prior year as large amounts of computer equipment were funded through the separate plant fund accounts.

Maintenance and Repairs decreased 2.7% over the prior year due to stabilization of utilities costs and managements' decision to constrain spending in this area. Additional natural gas and electricity were purchased, which increased total costs. Other maintenance and repair items decreased as the College focused on limiting new maintenance projects. Numerous minor renovation projects were deferred to later years.

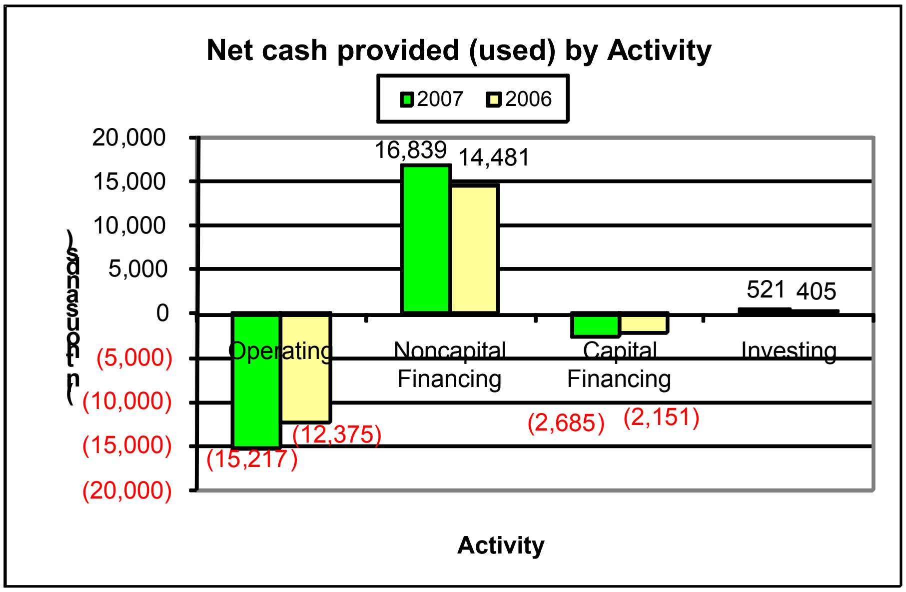
Supplies costs decreased 6.5% this year. Fewer grants were available which supplied the College with additional classroom materials and uncapitalized small equipment in the prior year. Improved procurement procedures helped contain costs, despite the large increase in enrollment. Materials costs for minor renovation projects by the Maintenance Department were incurred, but not capitalized under the College's capitalization policy.

Travel costs increased 2.0%. The College made a commitment to providing additional professional development as part of its strategic plan. The instructional division developed in-house professional development programs which helped constrain the rate of growth. However, new accreditation programs and various associations the College has joined recently required substantial travel commitments. There will continue to be an increase in travel and professional development in coming years.

Communications expenses increased by 0.7%. The reprographics department purchased new equipment in the prior year that has lowered operating cost. Postage costs increased due to additional direct marketing efforts, coupled with increased enrollment-driven mailing activity. Telecommunications costs associated with increased distance learning and additional locations rose substantially. Telecommunications costs relating to telephone service were constrained by procurement of better terms. The College incurred significant increases for Marketing and Advertising to promote satellite locations in downtown Canton, Carrollton and Alliance, Ohio.

Analysis of Cash Flows

The College's liquidity decreased during the year, primarily due to increased spending for capital projects. Higher enrollment and aggressive cost containment measures generated increased cash flows from operations, while proceeds from state funding for general operations increased over the prior year. By definition, noncapital financing activities include the subsidy from the Board of Regents called State Share of Instruction, and the Access Challenge appropriation. These line items have increased due to the College's proportional enrollment increases compared to all other state assisted institutions of higher education over the past two years.



Operating activities provided lower net cash flow in total from the prior year. Gross tuition, grants and bookstore proceeds increased this year primarily because of increased tuition rates, increased enrollment and successful grant applications. Significant increases in the use of cash included larger payments for labor, payments to suppliers and student aid, while other receipts increased modestly.

Noncapital financing improved due to additional support from the State of Ohio, which was partially offset by an increase in grant expenditures over the prior year.

Capital financing activities provided greater proceeds from state appropriations and federal and state grants. Cash outflows were related to facilities projects. The construction of a building for the new Fuel Cell Prototyping Center was completed in fall 2006, with additional funds being spent for the acquisition of capital fuel cell equipment. Local funds were used to pay for land acquisition adjacent to the north side of the campus in 2006-2007, and to construct additional parking facilities thereon. Additional capital outlays were used for various building renovations, grounds improvements and other capital equipment related to the purchase of a new enterprise resource plan system. These purchases constituted the majority of the College's capital activity. Additional information regarding the College's capital assets is included in Note 4.

Higher interest rates provided the increase in cash flow from investing activities.

Economic Outlook for the Future

Management has received projections showing a significant increase in state funding for operations from the Ohio Board of Regents for the next biennium. Changes to the state's funding formula which adversely affected the technical colleges across the state are being mitigated by continued enrollment growth. The economy has not bounced back this year like state economists had predicted, although it is doing better than the last fiscal year. The State of Ohio is phasing out its corporate franchise tax in favor of a commercial activities tax which is more broad-based. The effects of this change on total state revenue have been positive, but declines in state sales taxes have more than offset these gains. A continuing shortage in this tax revenue category could have an adverse affect on future state appropriations. The state has recently raised taxes and reduced expenses, but the inflow of additional resources has not quite met their projections. The workforce and GDP of the State of Ohio are still stagnating, which leaves little hope for a quick turn-around in the local and state economy. However, management does not believe a severe crisis will occur during FY2008.

Final Analysis

Stark State College's President Dr. John O'Donnell is committed to establishing new programs in emerging technologies that can increase enrollment and promote economic development in the College's service area. He is also committed to providing greater access through satellite locations and distance learning.

The economy has stretched the demand for the College's resources. The College is dependent on the State of Ohio for funding, and state revenues have not been meeting the budget projections to this point of the year. However, the Legislature has made the funding of higher education a priority with the goal of spurring economic development through workforce development. The College remains financially sound.

Between the increased productivity in the classroom, cost saving measures implemented, and increased enrollment (i.e.: additional tuition dollars), the College is maintaining its position despite the current state economic situation. Even as the state's funding of capital projects declines, the College has provided for the renewal of, and addition to, its facilities by establishing a dedicated fee for such purposes.

Beyond this, Management has developed a wide-ranging set of contingency options to consider in the event of budget cuts by the legislature or a downturn in enrollment, with the intent of not compromising its philosophy, goals, objectives and values.

Management firmly believes that the overall financial position of the College is strong, and that the College has demonstrated improvement in its financial condition during the past year. Debt has been reduced, revenues expanded and expenses have been constrained. The College's enrollment, reserves and cash position are sufficient to endure limited economic downturns in the near future.

Stark State College of Technology
Statement of Net Assets
June 30, 2007

ASSETS	
Current Assets	
Cash & cash equivalents	$ 8,190,356
Investments	83,323
Student accounts receivable, net	2,035,635
Intergovernmental receivables	2,804,366
Other receivables, net	257,000
Prepaid expenses and deferred charges	187,598
Insurance reserve	475,400
Inventories at cost	297,832
Total current assets	14,331,510
Noncurrent Assets	
Restricted cash & cash equivalents	196,874
Restricted investments	6,046
Endowment investments	242,609
Prepaid expenses and deferred charges	268
Insurance reserve	537,434
Capital assets, net	43,814,738
Total noncurrent assets	44,797,969
Total assets	59,129,479
LIABILITIES	
Current Liabilities	
Accounts payable & accrued liabilities	$1,557,038
Deferred income	1,090,459
Accrued salaries & wages	1,057,979
Insurance claims payable	475,400
Compensated absences	120,532
Deposits held for others	198,438
Long-term liabilities - current portion	39,470
Total current liabilities	4,539,316
Noncurrent Liabilities	
Long-term liabilities	947,894
Total noncurrent liabilities	947,894
Total liabilities	5,487,210
NET ASSETS	
Invested in capital assets	43,814,738
Restricted for	
Nonexpendable	
Scholarships	275,693
Expendable	
Student grants and scholarships	185,674
Public service	210,249
Instructional departments	94,823
Student services	11,560
Capital projects	146,330
Student loans	10,811
Institutional Support	1,929
Unrestricted	8,890,462
Total net assets	$ 53,642,269

The notes to the financial statements are an integral part of this statement.

Stark State College of Technology
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2007

REVENUES	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of $ 3,781,531)	$ 17,386,834
Federal grants and contracts	9,242,702
State and local grants and contracts	1,267,083
Nongovernmental grants and contracts	762,118
Sales and services of educational departments	22,451
Auxiliary enterprises: bookstore	3,664,658
Other operating revenues	445,901
Total operating revenues	32,791,747
EXPENSES	
Operating expenses:	
Educational and general:	
Instruction	18,810,531
Academic support	3,573,723
Student services	3,375,554
Institutional support	7,237,817
Operation and maintenance of plant	3,543,698
Student aid	5,597,560
Public service	2,232,063
Depreciation	1,570,008
Auxiliary enterprises: bookstore	2,995,830
Total operating expenses	48,936,784
Operating loss	(16,145,037)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	17,061,374
Gifts	375
Investment income	622,746
Interest on capital asset-related debt	(97)
Other nonoperating revenues (expenses)	(294,906)
Net nonoperating revenues (expenses)	17,389,492
Income before other revenues, expenses, gains, or losses	1,244,455
Capital appropriations	1,816,636
Capital grants and gifts	416,135
Increase in net assets	3,477,226
NET ASSETS	
Net assets, beginning of year	50,165,043
Net assets, end of year	$ 53,642,269

The notes to the financial statements are an integral part of this statement.

Stark State College of Technology
Statement of Cash Flows
For the Fiscal Year Ended June 30,2007

Cash Flows from Operating Activities	
Tuition and fees	$ 17,123,429
Grants and contracts	10,928,538
Payments to suppliers	(10,990,437)
Payments to employees and for benefits	(30,772,703)
Payments for student aid	(5,597,560)
Loans issued to students	(1,000)
Auxiliary enterprise charges: Bookstore	3,629,460
Sales and service of educational activities	22,345
Other receipts (payments)	440,506
Net cash used by operating activities	(15,217,422)
Cash Flows from Noncapital Financing Activities	
State appropriations	17,061,374
Gifts and grants for other than capital purposes	(294,906)
Private gifts for endowment purposes	375
FFEL received	16,095,916
FFEL disbursed	(16,095,916)
Agency transactions	72,524
Net cash provided by noncapital financing activities	16,839,367
Cash Flows from Capital Financing Activities	
Capital appropriations	1,664,185
Capital grants and gifts received	446,237
Purchases of capital assets	(4,789,471)
Principal paid on capital debt and leases	(6,137)
Interest paid on capital debt and leases	(97)
Net cash used by capital financing activities	(2,685,283)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	10,134
Purchase of investments	(83,323)
Interest on investments	594,230
Net cash provided by investing activities	521,041
Net decrease in cash	(542,297)
Cash - beginning of the year	8,929,527
Cash - end of year	8,387,230
Reconciliation of net operating revenues (expenses) to net cash used by operating activities:	
Operating loss	(16,145,037)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	1,570,008
Changes in assets and liabilities:	
Receivables, net	(694,062)
Inventories	53,866
Other assets	(230,514)
Accounts payable	17,922
Deferred revenue	44,283
Compensated absences	166,112
Net cash used by operating activities	$ (15,217,422)

The notes to the financial statements are an integral part of this statement.

Stark State College of Technology
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2007

1. DESCRIPTION OF THE ENTITY

Stark State College of Technology (the "College") was originally chartered in 1966 under provisions of the Ohio Revised Code as a Technical College. The College offers 48 associate degree programs and 11 certificate programs that prepare individuals to be technicians and paraprofessionals in business technologies, engineering technologies, health technologies, information technologies, public service technologies and general studies. Degrees awarded are the Associate of Applied Science, Associate of Applied Business, and Associate of Technical Studies. The College awards the Associate of Arts degree and the Associate of Science degree jointly with Kent State University. The College also offers noncredit continuing education classes and customized contract-training services to companies and employees in the region. A seven-member Board of Trustees governs the College, which is a political subdivision of the State of Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the College have been prepared in conformity with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The College also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989 provided they do not conflict with or contradict GASB pronouncements. The more significant of the College's accounting policies are described below:

A. Basis of Presentation – The College reports as "business type activities", as defined by GASB Statement No. 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In accordance with GASB Statement No. 35, the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows are reported on a consolidated basis.

B. Measurement Focus - The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. All significant interfund transactions have been eliminated.

C. Operating and Non-Operating Revenues and Expenses – Operating revenues are those that generally result from exchange transactions such as payments received for providing goods and services and payments made for goods or services. Non-operating revenues and expenses result from capital and related financing activities, noncapital financing activities including state appropriations or investing activities.

D. Deferred Income – Deferred income arises when assets are recognized before revenue recognition criteria have been satisfied. The unearned portion of student tuition and fees for the summer session 2007 and all of the payments of student tuition and fees resulting from early registration for the fall session 2007 have been deferred.

E. Investments – Except for nonparticipating investment contracts, investments are reported at fair value that is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements are reported at cost.

The College adheres to GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3.* This statement amends certain custodial risk provisions of GASB Statement No. 3 and addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

During fiscal year 2007, investments were limited to STAR Ohio, repurchase agreements, U.S. Treasury and agency items, mutual funds, money market funds, and common stock.

For purposes of the presentation on the Statement of Net Assets, investments with original maturities of three months or less at the time they are purchased by the College are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Inventories - Inventory consists principally of merchandise in the College's bookstore that is valued at cost on a first-in, first-out basis.

G. Capital Assets – Land, land improvements, buildings, infrastructure, equipment, and library books are stated at original acquisition costs. Donated capital assets are capitalized at estimated fair market value on the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the Invested in Capital Assets component of net assets is adjusted accordingly. Capital assets, with the exception of land, are depreciated on the straight-line method over the following estimated useful lives:

Land Improvements	20 to 30 years
Buildings	7 to 40 years
Equipment	5 to 15 years
Library Books	10 years
Infrastructure	20 to 50 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. Infrastructure assets consisting of roads and drainage systems are capitalized and reported. The College's capitalization threshold is $5,000 for equipment, $25,000 for land improvements, $50,000 for buildings and $250,000 for infrastructure.

H. Insurance Reserve – The insurance reserve is based on a percentage of ownership in the Stark County Schools' Council of Governments Health Benefit Plan prepared by the Stark County Schools' Council of Governments.

I. Compensated Absences - Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.

2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The College has accrued a liability for these compensated absences using the termination method when the following criterion is met:

1. The benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' retirement ("termination payments").

The sick leave liability has been based on the College's past experience of making termination payments for sick leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use. The College identifies net assets restricted as either nonexpendable or expendable. Nonexpendable net assets represent endowment contributions from donors that are permanently restricted as to principal. Expendable net assets relate to grants and contract activity, whose use is subject to externally imposed restrictions. Unrestricted net assets are not subject to restrictions and may be designated for specific purposes by the Board of Trustees. Of the College's restricted net assets of $937,069, none was restricted by enabling legislation.

K. Grants and Scholarships – Student tuition and fees are presented net of grants and scholarships applied directly to student accounts.

L. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. Public Entity Risk Pools

Shared Risk Pool

Stark County Schools' Council of Governments Health Benefit Plan – The Stark County Schools' Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to state statute for the purpose of administering health care benefits. The Council is governed by an assembly, which consists of one representative from each participating entity (usually the superintendent or designee). The assembly elects officers for one-year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating entities, based on the established premiums for the insurance plans. Each entity reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

3. CASH AND INVESTMENTS

A. Policies and Practices - It is the responsibility of the Business and Finance Department to deposit and invest the College's idle funds. The College's practice, with the exception of some endowment charitable gifts, is to limit investments to STAROhio, States Treasury notes and bills, collateralized certificates of deposit and repurchase agreements, insured and/or collateralized demand deposit accounts or obligations of other United States agencies for which the principal and interest is guaranteed by the United States Government. The College does not enter into reverse repurchase agreements.

The investment and deposit of College monies is governed by the Ohio Revised Code. In accordance with the Ohio Revised Code, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. Also, the investment of the College's monies is restricted to certificates of deposit, savings accounts, money market accounts and the State Treasurer's Investment Pool (STAR Ohio), obligations of the United States Government or certain agencies thereof and certain industrial revenue bonds issued by other governmental entities. The College may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. These institutions may specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with the face value of which is at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for the public deposits and investments to be maintained in the College's name.

3. CASH AND INVESTMENTS (continued)

B. Cash on Hand - At June 30, 2007, the College had $8,378 in undeposited cash on hand which is reported as "Cash" on the Statement of Net Assets.

C. Deposits - At June 30, 2007, the reported amount of the College's deposits was $(471,345) and the bank balance was $14,950, which was covered by the FDIC.

D. Investments – As of June 30, 2007, the College had the following investments and maturities:

		Investment Maturity (In Years)	
Investment Type	Fair Value	1	1 - 5
Insurance Reserve	$1,012,834	$475,400	$537,434
Repurchase Agreement	755,000	755,000	0
STAR Ohio	8,178,520	8,178,520	0
U.S. Treasuries	36,693	12,109	24,584
U.S. Agencies	46,630	0	46,630
Money Market	6,081	6,081	0
Mutual Funds	65,020	65,020	0
	10,100,778	$9,492,130	$608,648
Corporate Stock	94,231		
	$10,195,009		

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College has no formal investment policy addressing interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College has no formal investment policy regarding credit risk. Investments had the following ratings by Standard & Poors and percentage of total investments:

CS	A	.19%
CS	A-	.04%
CS	AA	.08%
CS	AA-	.07%
CS	AAA	.11%
CS	AA+	.03%
CS	A+	.17%
CS	BBB	.07%
CS	BBB+	.02%
CS	Not Rated	.14%
U.S. Treasuries	AAA	.36%
U.S. Agencies	AAA	.46%
Mutual Funds	Not Rated	.64%
Money Market	AAAm	.06%
STAR Ohio	AAAm	80.22%

3. CASH AND INVESTMENTS (continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are held as follows:

Repurchase Agreements – Counterparty's trust department in the College's name.

Corporate Stock, Money Market, U.S. Treasury Notes, U.S. Agencies – Counterparty

Concentration of Credit Risk: The College has no formal investment policy to limit the amount that may be invested in any one issuer. Eighty percent of the College's investments are in STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

4. CAPITAL ASSETS

A summary of the changes in capital assets and related accumulated depreciation during fiscal year 2007 follows:

	Balance 06/30/2006	Additions	Deletions	Balance 06/30/2007
Capital Assets, Not Being Depreciated:				
Land	$4,734,716	$382,082	$0	5,116,798
Construction in Progress	5,347,880	3,245,965	(4,991,135)	3,602,710
Total Capital Assets, Not Being Depreciated	10,082,596	3,628,047	(4,991,135)	8,719,508
Capital Assets, Being Depreciated:				
Land Improvements	3,093,249	230,993	0	3,324,242
Buildings	39,866,023	5,462,520	0	45,328,543
Equipment	4,015,591	497,840	(47,769)	4,465,662
Library Books	36,862	8,975	0	45,837
Infrastructure	193,127	0	0	193,127
Total Capital Assets, Being Depreciated	47,204,852	6,200,328	(47,769)	53,357,411
Less Accumulated Depreciation For:				
Land Improvements	(951,627)	(127,563)	0	(1,079,190)
Buildings	(13,087,694)	(1,098,403)	0	(14,186,097)
Equipment	(2,545,579)	(379,146)	47,769	(2,876,956)
Library Books	(16,021)	(3,974)	0	(19,995)
Infrastructure	(91,252)	(8,691)	0	(99,943)
Total Accumulated Depreciation	(16,692,173)	(1,617,777)	47,769	(18,262,181)
Capital Assets, Being Depreciated, Net	30,512,679	4,582,551	0	35,095,230
Capital Assets Net	$40,595,275	$8,210,598	($4,991,135)	$43,814,738

5. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2007, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Lease Obligation	$6,137	$0	$6,137	$0	$0
Compensated Absences	821,252	166,112	0	987,364	39,470
Total	$827,389	$166,112	$6,137	$987,364	$39,470

The College has no outstanding capital leases.

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6. DEFINED BENEFIT PENSION PLANS

All employees of the College are eligible to participate in one of two retirement systems. Academic personnel participate in the State Teachers Retirement System of Ohio (STRS Ohio) and nonacademic personnel participate in the Ohio Public Employees Retirement System (OPERS).

A. State Teachers Retirement System

The College participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries and the College was required to contribute 14 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The College’s required employer contributions to STRS Ohio for fiscal years ended June 30, 2007, 2006 and 2005 were $2,034,558, $1,639,090 and $1,590,550, respectively.

B. Ohio Public Employees Retirement System

Nonacademic personnel of the College participate in the Ohio Public Employees Retirement System (OPERS). The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

6. DEFINED BENEFIT PENSION PLANS (continued)

3. The Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information for the plan.

That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Effective January 1, 2007, plan members are required to contribute 9.5 percent of their annual covered salary to fund pension benefit obligations and the College is required to contribute 13.77 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The College's employer contributions for pension obligations to OPERS for the fiscal years ended June 30, 2007, 2006 and 2005 were $1,084,098, $929,501 and $797,795, respectively.

Alternative Retirement Plan

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement program for academic and administrative employees of public institutions of higher education, who were currently covered by the Ohio Public Employees Retirement System (OPERS) or the State Teachers Retirement System of Ohio (STRS). The alternative retirement plan is a defined contribution plan under IRS section 401(a).

Full-time employees have 90 days from their date of hire to make an irrevocable election to participate in an alternative retirement plan. Under this plan, employees who would have otherwise been required to be in OPERS or STRS and who elect to participate in the alternative retirement program must contribute the employee's share of retirement contributions (9.5% OPERS effective 1/1/07, 10% STRS) to one of eight private providers approved by the State Department of Insurance. The employee's share of retirement contributions is actually paid by the College as an employee benefit. The legislation mandates that the employer must contribute 3.5% of the 14% employer contribution to STRS with the remainder being sent to the ARP vendor selected by the employee. All of the 13.77 % employer contribution for the non-academic employees is sent to the ARP vendor selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contributions to the alternative retirement plan for the years ended June 30, 2007, 2006 and 2005 were $78,894, $57,611, and $31,481, respectively.

7. POST-EMPLOYMENT BENEFITS

The College provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certified employees and their dependents through the Ohio Public Employees Retirement System (OPERS). Benefit provisions and the obligation to contribute are established by the systems based on authority granted by State statute.

Pursuant to the Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007, the Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the College, this amount equaled $132,114 during fiscal year 2007.

7. POST-EMPLOYMENT BENEFITS (continued)

The balance in the Health Care Reserve Fund was $3.5 billion at June 30, 2006 (latest information available). For the year ended June 30, 2006, net health care costs paid by STRS Ohio were $282,743,000, and STRS Ohio had 119,184 eligible benefit recipients.

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit.

Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post-Employment Benefits by State and Local Governmental Employers". A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 employer contribution rate was 13.77 percent of covered payroll; 4.5 percent was the portion that was used to fund health care for the year. The College's actual contributions for fiscal year 2007, which were used to fund post-employment benefits were $357,329.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

The following assumptions and calculations were based on OPERS' latest actuarial review performed as of December 31, 2005. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5 percent. An annual increase of 4.00 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 6% for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. As of December 31, 2005 (the latest information available), the actuarial value of OPERS' net assets available for OPEB was $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $31.3 billion and $20.2 billion respectively. The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

8. CONTINGENCIES

A. Federal and State Grants

The College participates in certain State and Federally-assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of the College, no material grant disbursements will be disallowed.

B. Litigation

A claim is pending against the College. It is management's opinion that the ultimate liability will not have a material effect on the financial statements.

9. RISK MANAGEMENT

The College is exposed to various risks of loss related to tort; theft of, damage to or destruction of assets; errors and omissions; employee injuries; and natural disasters. By maintaining comprehensive insurance coverage with private carriers, the College has addressed these various types of risk. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. There has not been a significant reduction of coverage from the prior fiscal year.

The College is a member of the Stark County Schools' Council of Governments, a shared risk pool (see Note 2), which was established to provide a partially self-funded health benefits program to its members. The College pays a monthly premium to the Council of Governments for its health care coverage. The health plan is self-sustaining through member premiums and reinsures through an insurance company to pay claims in excess of $250,000 per individual and $107,330,408 for the group as a whole.

The insurance claims payable of $475,400 is based on the requirements of GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the Council of Governments. A summary of the claims liability during the past two fiscal years is as follows:

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2006	$336,398	$3,169,449	($3,085,320)	$420,527
2007	$420,527	$3,041,673	($2,986,800)	$475,400

10. RELATED ORGANIZATIONS

The Stark State College Foundation (the Foundation) is a not-for-profit organization, which operates under a separate board exclusively for the benefit of the College. The economic resources received or held by the Foundation are not significant to the College and are therefore not included in the College's June 30, 2007 financial statements. At June 30, 2007, the total net assets of the Foundation were $2,294,147. During the year ended June 30, 2007, the Foundation contributed to the College $277,273 for scholarships, professional development, instructional equipment and supplies, and other projects.

Stark State College of Technology
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Receipts	Disbursements
U.S. Department of Education				
Student Financial Assistance Programs Cluster:				
Federal Work-Study Program	84.033	-	$ 216,498	$ 204,437
Federal Supplemental Educational Opportunity Grants	84.007	-	135,340	144,409
Federal Pell Grant Program	84.063	-	7,604,090	7,617,790
Federal Family Education Loans	84.032	-	16,095,916	16,095,916
Academic Competitiveness Grants	84.375	-	37,000	37,375
Total Student Financial Assistance Programs Cluster			24,088,844	24,099,927
TRIO - Student Support Services	84.042	-	214,527	217,007
Fund for the Improvement of Postsecondary Education	84.116	-	104,746	97,548
Passed Through Ohio Department of Education:				
Vocational Education - Basic Grants to States	84.048	063420-20C3-2006	17,457	-
Vocational Education - Basic Grants to States	84.048	063420-20C3-2007	67,143	153,088
Total Vocation Education - Basic Grants to States			84,600	153,088
Tech-Prep Education	84.243	063420-3ETC-2006	11,202	-
Tech-Prep Education	84.243	063420-3ETC-2007	114,698	164,843
Total Tech-Prep Education			125,900	164,843
Passed Through Ohio Board of Regents & OARNET				
Fund for the Improvement of Education	84.215	4215K040292	-	120,000
Total Federal Assistance - U.S. Department of Education			24,618,617	24,852,413
U.S. Department of Labor				
WIA Pilots, Demonstrations, and Research Projects	17.261	-	68,525	144,640
Passed through Workforce Initiative Association:				
WIA Adult Program	17.258	NA	6,182	7,077
Total Federal Assistance - U.S. Department of Labor			74,707	151,717
U.S. Department of Health and Human Services				
Health Care and Other Facilities	93.887	-	-	284,809
Passed through Ohio Department of Job and Family Services and Ohio Board of Regents:				
Temporary Assistance for Needy Families	93.558	NA	107,680	300,075
Total Federal Assistance - U.S. Department of Health and Human Services			107,680	584,884
National Science Foundation Program				
Education and Human Resources	47.076	-	146,077	154,412
Total Federal Assistance - National Science Foundation			146,077	154,412
Total Federal Assistance - All Sources			$ 24,947,081	$ 25,743,426

NA - Pass-Through Entity Identifying Number not available

The notes to this Schedule are an integral part of this Schedule

Stark State College of Technology
Note to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Expenditures is a summary of the activity of the Stark State College of Technology's federal awards programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note B – Federal Family Education Loans

During the fiscal year ended June 30, 2007, the College processed new loans under the Guaranteed Student Loan Program. Several banks act as lenders for the College. The amount shown only reflects the fiscal year amount that has been certified by the College.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Stark State College of Technology
Stark County
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

We have audited the accompanying financial statements of the business-type activities of the Stark State College of Technology (the College), Stark County, and have issued our report thereon dated December 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated December 14, 2007.

This report is intended solely for the information and use of management, members of the Board, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
December 14, 2007

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Trustees
Stark State College of Technology
Stark County
6200 Frank Avenue, NW
Canton, Ohio 44720-7299

Compliance

We have audited the compliance of the Stark State College of Technology (the College), Stark County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Internal Control Over Compliance (Continued)

A control deficiency in the College's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the College's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, members of the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
December 14, 2007

Stark State College of Technology
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Assistance Programs Cluster: Federal Work-Study Program, CFDA #84.033; Federal Supplemental Educational Opportunity Grants, CFDA #84.007; Federal Pell Grant Program, CFDA #84.063; Federal Family Education Loans, CFDA #84.032; Academic Competitiveness Grants, CFDA #84.375
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > $772,303 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

Mary Taylor, CPA
Auditor of State

STARK STATE COLLEGE OF TECHNOLOGY

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 29, 2008

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